

Financial Statements
for the year ended
31 March 2012

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ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

Report of the Ombudsman

History and Statutory Background

These are the sixth Annual Accounts of the Public Services Ombudsman for Wales and my fourth set of annual accounts since taking up my post as Ombudsman. The office came into formal existence on 1 April 2006 following the implementation of the Public Services Ombudsman (Wales) Act 2005. I was appointed as the second Public Services Ombudsman for a fixed period of seven years from 21 April 2008. In accordance with paragraph 18 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005 I have personal responsibility for the overall organisation, management and staffing of the office and for its procedures in relation to financial and other matters.

As a result of the amendments to the Act arising from the Government of Wales Act 2006, the Ombudsman's salary and related employment costs are a direct charge on the Welsh Consolidated Fund with effect from 1 April 2007. In addition the costs of running the office have to be submitted to the Finance Committee of the National Assembly for Wales for consideration no later than the 1 November each year. By the 22 November the Finance Committee must consider and lay before the National Assembly the estimate, with any modifications, which that Committee, having consulted and taken into account any representations made by me, considers appropriate. This process is similar to that which applies to the Auditor General and the Wales Audit Office and is designed to secure the independence of my role.

The Estimates Report for 2011-12 was laid before the National Assembly for Wales on 21 January 2011. This late date was due to the delays in the budget round for 2011-12 arising from the Comprehensive Spending Review. In accordance with amendments to the Standing Orders of the National Assembly

for Wales the Finance Committee had until 21 January 2011 to report on and lay the estimate for 2011-12.

The Estimates Report for 2012-13 was laid before the National Assembly for Wales on 8 November 2011. The report identified the supplementary budget requirement for 2011-12 to cover the pension obligations that will result from the closure of the Local Government Pension scheme when there is no longer an active member from my office contributing to the scheme. That additional provision was included in the Supplementary Budget 2011-12 approved by the National Assembly for Wales in February 2012. It was not necessary for the cash requirement for 2011-12 to be changed from the original approved budget.

Strategic Aims

The purpose of the Public Services Ombudsman for Wales is to independently and impartially investigate complaints made by members of the public about the way they have been treated by a public body. I expect public bodies to treat people fairly, considerately, and efficiently. If I uphold a complaint I will recommend appropriate redress. I also investigate complaints that local authority members have broken the Code of Conduct.

The vision for the office is:

To contribute to the development of excellent public services in Wales by ensuring that service providers continue to value and learn from complaints.

Our strategic aims are:

- (a) to raise awareness of our service so that people understand what we do, and that all who need it can access it and make use of it;

- (b) to have in place high quality complaints handling processes, which enable us to consider and determine complaints thoroughly but proportionately, and convey decisions clearly;
- (c) to work with public bodies in Wales so that better quality public services are provided as a result of the lessons that can be learnt from the complaints we investigate; and
- (d) to demonstrate that our resources are efficiently and effectively deployed.

Main Activities

The principal activities of PSOW covered by these accounts were:

- (a) investigating complaints from members of the public about local authorities (including town and community councils) in Wales;
- (b) investigating complaints from members of the public about NHS bodies, family health service practitioners and independent providers of NHS Services in Wales;
- (c) investigating complaints about the Welsh Government and Welsh Government sponsored public bodies;
- (d) investigating complaints against registered social landlords; and
- (e) investigating complaints that members of local authorities (including town and community councils) had broken their authority's code of conduct.

Management Commentary

Under the Government of Wales Act 2006 the office is financed through the Welsh Consolidated Fund. Any unspent cash balances have to be repaid into that Fund no later than four weeks after a certified copy of the accounts have been laid before the National Assembly for Wales Commission. This creates a further

control in that there is a need to effectively manage the budget on both a cash and a resources basis. My own salary and the related costs are a direct charge on the Welsh Consolidated Fund and are administered through the National Assembly for Wales. Employment costs of £2.4 million remain the largest item of expenditure. The cost of obtaining professional advice (particularly specialist advice on health cases) was £281k representing a reduction of £31k from 2010-11 and reflects measures I have taken to manage this expenditure.

The deficit on the Local Government Pension Fund increased from £410k to £690k reflecting the pressures within the economy on pension funds.

The National Assembly for Wales provided resources of £3.73 million for the funding of the office although £91k of this is due to be returned to the Welsh Consolidated Fund being unused cash balances at the year end. The sum of £91k is within the accepted year-end balance criteria of 3% funding. The office has achieved a level of spending reduction during the year in line with the overall level of reduced funding reflecting reductions within the Welsh block which is especially noteworthy considering the upward demand for the services of the office.

In reporting the results for 2011-12 my theme is 'Improving Access: Delivering Improvement'. This recognises the work done to improve access to the complaints procedures of bodies within my jurisdiction, other public service providers, ombudsmen services (including my own service) and other complaint handling schemes. This has been done by raising awareness, making access easier for people with protected characteristics and through the Complaints Wales signposting service we have provided more information on how people can access advice and advocacy services to help them in making their complaints.

Delivering improvement reflects our work in improving public service delivery in Wales, by ensuring that the recommendations in my investigation reports are

complied with, working with regulators to ensure that the changes introduced are sustained and effective, and working to share the lessons from those investigations with other public service providers.

The year 2011-12 was the final year of my three year Strategic Plan. The achievements against that Plan have been substantial. As well as achieving the objectives set there have been other key achievements that were unforeseen at the time of its initial development. Not least of these was the creation of the Complaints Wales service. This innovative telephone and web service provides advice to those members of the public who wish to complain about a public service but do not know how to do so. I am particularly pleased that as far as the international community of ombudsmen is concerned, we in Wales appear to be a world leader in offering such a service and many others are now contemplating going down the same road.

With regard to our core activity, the complaints I receive about public services continue to rise, being 13% up on the number received during 2010-11. The NHS Redress Measure was introduced on 1 April 2011 and whilst this can account for some of this increase, it is only one factor. Concerningly, code of conduct complaints rose by 49%.

We have over the past three years made great strides in improving efficiency in the way we consider complaints. In particular, I am pleased that although there has been a significant increase in the enquiries and complaints that we receive, we have still managed to exceed our performance targets. We have upgraded our complaints handling system with a view to getting new technology to take some of the strain the administrative tasks associated with complaint handling. The achievements of the past year are set out in greater detail in the statutory annual report for 2011-12. Further information is available on www.ombudsman-wales.org.uk.

Work was also undertaken during the course of the year to produce a Strategic Equality Plan. This was in accordance with the Equality Act 2010 and the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. Also under the specific duties, I am required to produce an equality annual report. I have decided that it is most appropriate to do so within my Annual Report. Accordingly the activities of my office in relation to equality and diversity issues are shown at Section 8 of the Annual Report for 2011-12. In addition the office has made arrangements to comply with the requirements of the Bribery Act which were effective from 1 July 2011.

During the course of the year I also reviewed the governance arrangements of my office. I took the view that the office would better be able to demonstrate openness and transparency through the creation of an Advisory Panel. An open recruitment process began at the end of the year, with a view to members being appointed at the beginning of 2012-13.

In discussing governance, it would be remiss of me not to express here my appreciation for the work that Mr Laurie Pavelin has undertaken as Chair of the Audit Committee. His six years in the position came to an end on 31 March 2012. I have truly valued his wise counsel and support since the time I took up the office of Ombudsman and thank him for it. Further details on the work of the Audit Committee are set out in The Governance Report that forms part of these accounts.

Finally, thanks must also go to my staff. Every individual within the office has an important role to play in our success. The year has been one of innovation in terms of the introduction of a new service, enhanced communication methods and information technology developments. However, it has been equally notable for the continued hard work which has enabled us to stay on top of an ever-growing workload - in this regard, with the financial constraints on public

services, I cannot see the trend reversing. I do not underestimate the challenges ahead of us.

Remuneration

Details of the pay and related costs of the Ombudsman and of the office are shown in the Remuneration Report.

Pension Liabilities

The pension obligations to present and past employees are discharged through:

- (a) the Principal Civil Service Pension Scheme (PCSPS);
- (b) the Local Government Pension Scheme administered through the Cardiff and Vale of Glamorgan Pension Scheme (the Fund); and
- (c) the pensions paid directly to former Commissioners or their dependents.

Fuller details are given in Note 3 to the Financial Statements.

Employment Policy

PSOW recruits on the principle of selection on merit through fair and open competition and is committed to equality of opportunity for all staff. The PSOW has also undertaken to comply with the provisions of the Equality Act 2010 when they become operative as well as meeting all other statutory requirements.

Sickness

During the year an average of 4.6 days per employee were lost (2010-11 7.7 days). This is the equivalent of 1.8% (3.1% in 2010-11) of the total workdays and represents a considerable reduction in the number of days lost. As the office

is small details of the types of sickness are not disclosed, as it would be possible to identify individuals from the information reported.

Payment of Suppliers

PSOW is committed to compliance with the Late Payment of Commercial Debt Regulations 2002. The payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. During 2011-12 98.4% (2010-11 98.7%) of invoices were paid in accordance with this policy. The average period of payment of invoices was 8 working days compared with 13 days in 2010-11.

Sustainability

PSOW is committed to good environmental practices. Examples of how it pursues good environmental stewardship are set out below.

- (a) **Energy usage.** As one of a number of tenants within a small modern office block it is not possible to have full control over heating and lighting. However there are highly efficient heat exchangers that are thermostatically controlled and time managed.
- (b) **Vehicle usage.** The office does not operate any vehicles but it does require the use of hired vehicles for longer journeys in order to ensure greatest efficiency.
- (c) **Public Transport.** Wherever appropriate the use of public transport is encouraged.
- (d) **Paper management.** Staff are encouraged to assess whether a paper copy is necessary and to use double sided printing whenever possible. The use of an office intranet enables information to be accessed without the need for paper distribution systems.

- (e) **Waste Disposal.** Procedures are in operation for the recycling of glass, metal cans, plastic bottles, batteries and paper. Paper is disposed of through confidential waste recycling facilities due to the obligation to maintain confidentiality in the enabling legislation.

Corporate Governance

In the office of Public Services Ombudsman for Wales I act as a Corporation Sole. In addition I have been appointed by the Treasury as the Accounting Officer for the public funds with which the National Assembly entrusts me to undertake my functions. Further details are set out in The Governance Statement.

Accounts Direction

Under the Accounts Direction issued by the Treasury dated 21 December 2006 I was required to prepare accounts for the financial year ended 31 March 2012 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (the FReM) issued by HM Treasury which was in force for 2011-12.

The accounts have been prepared so as to:

- (a) give a true and fair view of the state of affairs at 31 March 2012 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
- (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

Auditors

The Auditor General for Wales is the External Auditor of the accounts of the Public Services Ombudsman for Wales (PSOW) as laid down in paragraph 7 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005. Following consultation with this office, Wales Audit Office appointed Grant Thornton UK LLP to carry out the work on their behalf although the Auditor General retains overall responsibility. The cost of the audit for 2011-12 was £19.1k. In 2010-11 the cost for that year was £19.2k but a further £5k for additional work in concluding the 2009-10 audit was incurred together with a final payment of £1k for audit work relating to the move to IFRS gave a total amount paid of £25.2k

So far as I am aware I have taken all the steps I ought to have taken to make the auditors aware of any relevant audit information and to establish that the auditors are aware of that information.

I have a separate service level agreement with the Wales Audit Office (WAO) for the provision of advice relating to human resources. In 2011-12 WAO have been paid less than £1k (2010-11 £1k) under that agreement.

The Future

I will over this next year be looking to see what more we might be able to do to improve efficiency especially as the normal cash resources remain static. However, I am conscious that there is a limit to the benefits which can be gained through increasing productivity and streamlining our ways of working before the robustness and quality of work is threatened.

During the past year, with the involvement of all my staff, I also produced my Strategic Plan for the next three years. We will be working towards a slightly revised vision for the service over this period, which is:

To put things right for users of public services and to drive improvement in those services and in standards in public life using the learning from the complaints we consider.

Peter Tyndall
Accounting Officer

31 July 2012

Statement of Accounting Officer's Responsibilities

Under the Public Services Ombudsman (Wales) Act 2005 as Public Services Ombudsman for Wales I am required to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the office during the year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Public Services Ombudsman for Wales and its net resource outturn, resources applied to objectives, changes in tax payer's equity and cash flows for the financial year.

In preparing the accounts as the Accounting Officer I am required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis;

My relevant responsibilities as Accounting Officer include responsibility for the propriety and regularity of the public finances for the Public Services Ombudsman for Wales, keeping proper records and safeguarding the office's assets as set out in the Accounting Officer's memorandum issued by HM Treasury that is published in "Managing Public Money", and are in accordance with the Public Services Ombudsman (Wales) Act 2005.

Remuneration Report

Public Services Ombudsman for Wales

The Government of Wales Act 2006 provides for my remuneration, the associated national insurance costs and those of my pension to be met from the Welsh Consolidated Fund. As Public Services Ombudsman for Wales, I am remunerated at the equivalent of Group 5 of the Judicial Salary Scale. These costs are included under Other Administration Costs as Consolidated Fund Standing Services in Note 4. The Director's remuneration has been set at 70% of my pay with effect from 1 November 2008.

Remuneration

* The table below sets out the pay details for the members of the Senior Management Team during the year 2011-12:

Name	Date of Appointment and contractual terms	2011-12 Salary	2011-12 Benefits in Kind	2010-11 Salary	2010-11 Benefits in Kind
		£000	£	£000	£
Peter Tyndall	21/04/2008. Fixed term to 20 April 2015	135-140	Nil	135-140	Nil
Elizabeth Thomas	01/01/2004 Permanent Contract	95-100	Nil	95-100	Nil

	2011-12 Non-Consolidated Performance Pay	2010-11 Non-Consolidated Performance Pay
	£000	£000
Highest paid Director's Total remuneration (£'000)	£135-£140	£135-£140
Median Total Remuneration	£38961	£38961
Ratio	3.6	3.6

Salary

Salary includes gross salary; overtime and any other allowances to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any expenditure incurred and treated by HM Revenue and Customs as a taxable emolument. There was no such expenditure.

Bonuses

No bonus was paid during the year to me or to any staff within my office as no bonus scheme is in operation.

Audit Committee

* During the year Mr Pavelin as the independent chair of the Audit Committee was paid, based on a daily rate, non pensionable remuneration of £1700 (2010-11 £2975). Professor Margaret Griffiths was paid £1375 (2010-11 £1250) for work as a member of the Audit Committee again based on a non pensionable daily rate.

Pay awards

The salary of the Director is linked to the Ombudsman's pay which in turn is based on judicial pay scales. There was no increase during the year. The remainder of the office's pay is linked to the pay awards made to employees within Local Government in England and Wales. In line with that procedure no increases in pay were awarded in 2011-12.

Staff Consultation

A staff consultation process involving the recognised trade unions is in place.

Pensions

* Pension entitlements for the persons shown above are detailed below:

Name	Accrued pension at age 60 at 31 March 2012	Real increase in annual pension	CETV at 31 March 2012	CETV at 31 March 2011	Real Increase in CETV
	£000	£000	£000	£000	£000
Peter Tyndall	66	1	867	806	(9)
Elizabeth Thomas	49	1	917	835	10

The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differ from the corresponding figure in last year's report that was calculated using the previous factors.

The pension figures shown in the table above represent full entitlements. Supporting information is provided in the Notes below.

Civil Service Pensions

These pension benefits are provided through the Civil Service pension arrangements. Further information is set out in Note 3 to the accounts.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are worked out in accordance with the Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

This reflects the increase in accrued pension funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

* Items subject to audit examination

Peter Tyndall
Accounting Officer

31 July 2012

The Governance Statement

Status of the Public Services Ombudsman for Wales

As laid down in Schedule 1 paragraph 2 of the Public Services Ombudsman (Wales) Act 2005, the Ombudsman is a Corporation Sole holding office under Her Majesty and discharges his function on behalf of the Crown. Schedule 1 paragraph 18 states that the Ombudsman is the accounting officer for the office of the Ombudsman,

Scope of Responsibility

In undertaking the role of accounting officer I ensure that the office operates effectively and to a high standard of probity. In addition, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Public Services Ombudsman for Wales's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money".

I am independent of the National Assembly for Wales but am accountable to its Public Accounts Committee for the use of resources made available to support my statutory functions. In determining the level of resources available to the organisation the budget proposals are considered by the Finance Committee of the National Assembly for Wales in accordance with the process laid down in the Public Services Ombudsman (Wales) Act 2005.

System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of

effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of my policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Public Services Ombudsman for Wales for the year ended 31 March 2012 and up to the date of approval of these accounts, and accords with Treasury guidance.

Audit Committee

To assist me to in carrying out my accounting officer responsibilities I have established an Audit Committee. As part of its activities the Committee undertakes an annual review of its achievements and its effectiveness.

Membership and Terms of Reference

The Audit Committee has been chaired by Laurie Pavelin CBE FCA and he has provided considerable support with his wide experience of public sector accounting and financial management. The independence of the Committee has been enhanced by Professor Margaret Griffiths who as the former Head of the University of Glamorgan Law School has wide legal expertise as it impacts on Wales. I am a member of the Committee in my capacity of Accounting Officer.

Conscious of the fact that the Ombudsman's office would be facing financial challenges during the financial year 2011-2012 and that there would also be a change of internal auditors, Mr Pavelin was invited to continue in his role as Chair of the Audit Committee for a further year rather than finishing on the 31 March 2011 when his current contract would end. This offer was accepted. Having completed the further year, the Chair's appointment ended on 31st March 2012. The remaining members of the committee wish to express their thanks for the outstanding work carried out by Mr. Pavelin during his six years in office.

During the year Professor Griffiths attended a day conference organised by the National School of Government on "Improving Effectiveness of your Audit Committee". The coverage on Corporate Governance matters was particularly helpful.

Each member of the Committee completes an annual declaration of interests and the first agenda item for any meeting allowed for the declaration of any interest specific to the agenda items for that meeting. The information provided is used to compile the Register of Interests, which is available for inspection by members of the public upon request.

A review of corporate governance arrangements was undertaken during the course of the year and revised terms of reference were proposed for the Audit Committee for 2012-13. These will require confirmation by the Advisory Panel when in place.

Meetings

There were four meetings of the Committee during the year. At each meeting the Committee received a number of standing agenda items. One of these related to the Risk Register. The full register is reviewed when the annual Internal Audit Plan is considered; for the other meetings it considers the identified high and medium risks facing the office. This was considered appropriate following a change to the format of the Risk Register through the use of a colour coding of the register. The key risks monitored during the year included safeguarding the office's reputation; the possibility that we would experience a lack of adequate resources in the current economic climate; and the need to maintain the independence for the office. Although the overall level of risk facing the organisation remains low there is an upward trend. During the year matters considered included the increased risks associated with the cost pressures

including the rising numbers of complaints associated with cost pressures including the rising number of complaints and the increasing liabilities under the Local Government Pension Scheme and the implementation of the hardware and software changes in the computerised complaints system.

Other standing reports that have to be submitted to the Committee have to state if any fraud or losses including data losses have been identified. No notifications were received during the 2011-12 financial year. In addition the Committee is advised of any single tender or nominated supplier approvals in excess of £5,000 and of any disposal or scrapping of assets.

During the year the Committee received reports on any appropriate matters that fell within its terms of reference. This included papers on: the Strategic and Operational Plans, pension arrangements; the possible obligations on sustainability reporting; updates on the business continuity plan; and relevant corporate government matters issued by H.M. Treasury.

Internal and External Audit

The Committee received regular reports from both the internal and external auditors. The work of Deloitte following their appointment as Internal Auditors with effect from 1 April 2011 was planned on the basis of their overall needs assessment and carried out through their first annual programme. Their reports highlighted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary. Their Annual Report stated: "Substantial assurance has been achieved for all internal audits performed".

The role of external audit, as required by the Public Services Ombudsman (Wales) Act 2005, has to be undertaken by Wales Audit Office. That work, with the agreement of the Ombudsman, was carried out during the year by Grant

Thornton UK LLP acting on behalf of the Wales Audit Office. The Committee considered the Annual Accounts that included the Statement on Internal Control of the office for 2010-11 together with the External Audit ISA260 Report.

Both Internal and External Auditors have the right, if considered appropriate, to raise any matter through an open access policy to the Chair and through the right to bring any matter to the attention of the Committee. The Committee, by reviewing the programmes of both the External and the Internal Auditors, ensured that they were co-operating effectively with each other.

Monitoring processes

The Committee is notified at each meeting on progress made on implementation of External and Internal Audit recommendations and also progress against the Strategic and Operational Plans. In addition the Committee is advised at each meeting of any outstanding issues.

The Committee was provided with a copy of the Annual Report for 2010-11.

Review of Corporate Governance arrangements

Proposals for revised corporate governance arrangements were considered by the Audit Committee. This was particularly timely in view of Mr Pavelin's term as Chair of the Audit Committee ending on 31 March 2012. The Committee received a report proposing that an Advisory Board (latterly named Advisory Panel) be formed, with the Audit Committee being a sub-committee of the Panel. These proposals are to be put in place and a recruitment process for independent members (one of whom will have a dual role as Chair of the Audit Committee) was commenced in March 2012.

Audit Committee's overall Assessment

This annual review is undertaken to ensure that the work of the Audit Committee continues to comply with the Good Practice Principles set out in the H M Treasury Audit Committee Handbook. The Committee has been able to provide assurances to effectively support the Public Services Ombudsman for Wales to comply with his Accounting Officer responsibilities in particular in assisting in the preparation of the Governance Statement.

Reporting of Personal Data Related Incidents

The Cabinet Office has issued guidance on reporting on any loss, unauthorised disclosure and any insecure disposal of protected personal data. The obligation is to report on the following:

- details of any personal data related incidents formerly reported to the Information Commissioner's Office over the financial year;
- recorded protected personal data related incidents not formally reported to the Information Commissioner's Office in the financial year; and
- any protected personal data related incidents in previous financial years.

I am able to report that I am not aware of any incidents that required reporting for 2011-12. The information security policy for the organisation can be made available on request either by letter or by e mail to ask@ombudsman-wales.org.uk.

The Risk and Control Framework

As required by "Managing Public Money" I am supported by the Financial Adviser who as a qualified accountant carries out the responsibilities of the professional finance director as set out in that document.

I am continuing to enhance the robust internal control arrangements to ensure that the office has the capacity to identify, assess and manage risk effectively. In undertaking this responsibility during the year ended 31 March 2012 I have been supported by a director to whom I have delegated some of my responsibilities. In addition the Management Team that I chair has the responsibility for overseeing risk management. I am satisfied that the systems in place identify potential risks at an early stage and enable, through active management, the appropriate action to be taken to minimise any adverse impact on the office. As already stated the Audit Committee receive regular reports on the Risk Register of the office.

Budgeting Process

As Accounting Officer, I ensure that I have in place arrangements for tight control of the public money entrusted to me. In particular, the Management Team receives a monthly budget monitoring report setting out details of actual against budgeted expenditure. Any unexpected expenditure issues that may arise during the course of the year are considered and actions required to ensure that the office remains within its budgeted expenditure are agreed. No major issues arose in respect of my budget for 2011-12. As far as the process of producing my financial estimate for 2012-13 is concerned, a paper setting out initial budget criteria was considered by the Audit Committee on 6 July 2011. Following on from this a draft budget estimate paper was considered at the meeting on 21 September 2011. That paper set out in full the financial resources that I had identified as being necessary to enable me to carry out my duties. I then submitted my final financial estimates paper to the Finance Committee of the

National Assembly of Wales. The Finance Committee considered my paper on 6 October 2011 and I was pleased to be able to attend the meeting in order to answer Assembly Members' specific questions on my submission. The National Assembly for Wales subsequently approved my financial estimate for 2012-13.

Strategic Planning and Performance Monitoring

My planning cycle involves the development of a Strategic Plan every three years and an operational/business plan annually. The existing Strategic Plan came to an end on 31 March 2012. Whilst individual teams within the office are charged with implementing the actions identified, the Management Team and the Audit Committee monitor progress made against targets and the outcomes achieved via quarterly reports. I was very pleased that all key activities had been delivered by the end of the three year period, together with additional activities (such as the introduction of the new Complaints Wales signposting service) which had not been foreseen when originally preparing the Strategic Plan four years ago.

With the end of the existing Strategic Plan on the horizon, a new three year Strategic Plan was developed during 2011-12 to take the office forward to the year 2014-15. The new Plan was developed with the involvement of all my staff via seminars/ workshops held in house. A Business Plan for 2012-13 was then developed to flow from this. My planning has taken account of the increased workload facing the office as a result of the implementation of the NHS Redress Measure, the Complaints Wales service, and also the continued general upward trend in the number of complaints I receive. I have also taken account of the need to prepare for the impact of the current Social Services (Wales) Bill, should the proposals to extend jurisdiction of the Public Services Ombudsman for Wales be enacted.

Conclusion

I am able to report that there were no significant weaknesses in the office's system of internal controls in 2011-12 that affected the achievement of the office's policies, aims and objectives and that robust Corporate Governance is in operation.

Peter Tyndall
Accounting Officer

31 July 2012

Certificate and Report of the Auditor General for Wales

I certify that I have audited the financial statements of the Public Services Ombudsman for Wales for the year ended 31 March 2012 under paragraph 17 (2) of schedule 1 to the Public Services Ombudsman (Wales) Act (2005). These comprise the Summary of Resource Outturn, Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Public Services Ombudsman (Wales) Act (2005) and HM Treasury directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Public Services Ombudsman for Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Public Services Ombudsman for Wales; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Report of the Ombudsman and unaudited part of the Remuneration Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Public Services Ombudsman for Wales' affairs as at 31 March 2012 and of its Net cash requirement, Net resource outturn and Net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Public Services Ombudsman (Wales) Act (2005).

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury's directions made under Public Services Ombudsman (Wales) Act (2005).
- the information which comprises the Report of the Ombudsman and unaudited part of the Remuneration Report, included within the statement of accounts is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

The maintenance and integrity of the Public Service Ombudsman for Wales' website is the responsibility of the Public Service Ombudsman for Wales; the work carried out by auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

13 August 2012

**Public Services Ombudsman for Wales
Financial Statements 2011-12**

Summary of Resource Outturn

for the year ended 31 March 2012

	Revised Estimate			Outturn			Net total outturn compared to estimate saving/ (excess)	2010-11
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total		Net Total
	£000	£000	£000	£000	£000	£000		£000
Administration Costs	3845	(6)	3839	3737	-	3737		3871
Less Welsh Consolidated Fund shared services				188		188		187
Total Resources	5410	(6)	5404	3549	-	3549	1855	3684
Net Cash Requirement Note 2	3731					3640	91	4105

Non operating income and receipts not classified as operating income

	Revised Estimate			Outturn			Net total outturn compared to estimate saving/ (excess)	2010-11
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total		Net Total
	£000	£000	£000	£000	£000	£000		£000
Sale of Fixed Assets	-	-	-	-	-	-	-	-

The notes on pages 38 to 63 form part of these statements

**Public Services Ombudsman for Wales
Financial Statements 2011-12**

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	2011-12	2010-11
		£000	£000
Administration costs			
Staff costs	3	2367	2385
Other non staff administration costs	4	1370	1523
Gross Administration Costs		3737	3908
Operating Income	5	-	(37)
Net Administration Costs		3737	3871
NET OPERATING COST and NET RESOURCE OUTTURN		3737	3871

All activities commenced in the period are continuing.

The notes on pages 38 to 63 form part of these statements

**Public Services Ombudsman for Wales
Financial Statements 2011-12**

Statement of Financial Position

as at 31 March 2012

	Note	2011-12		2010-11	
		£000	£000	£000	£000
Non current assets					
Property, Plant and Equipment	7	194		266	
Intangible assets	8	225		262	
Receivables falling due after more than one year	9	6		52	
Total non current assets			425		580
Current Assets					
Trade and other receivables	9	197		147	
Cash and cash equivalents	10	91		-	
Total current assets			288		147
Total assets			713		727
Current liabilities					
Trade and other payables	11	(198)		(101)	
Provisions	12	(78)		(73)	
Total current liabilities			(276)		(174)
Total assets less current liabilities			437		553
Trade and other payables due after one year	11	(25)		(25)	
Provisions	12	(437)		(434)	
			(462)		(459)
			(25)		94
Pension Fund (Deficit)/Surplus	3		(690)		(410)
Total assets less liabilities			(715)		(316)
Taxpayers' Equity: General Fund			(715)		(316)

The notes on pages 38 to 63 form part of these statements

Peter Tyndall
Accounting Officer

31 July 2012

**Public Services Ombudsman for Wales
Financial Statements 2011-12**

Statement of Cash Flows

for the year ended 31 March 2012

	Note	2011-12	2010-11
		£000	£000
Net cash outflow from operating activities	13	(3536)	(3644)
Net cash flow from investing activities	14	(13)	(461)
Financing from National Assembly for Wales	15	3731	4100
Net increase (decrease) in cash equivalents before adjustments for payments to Welsh Consolidated Fund		182	(5)
Payments of amounts due to the Welsh Consolidated Fund		(91)	(-)
Net increase (decrease) in cash equivalents after adjustments for payments to Welsh Consolidated Fund		91	(5)
Cash and cash equivalents at the beginning of period		-	5
Cash and cash equivalents at the end of period		91	-

The notes on pages 38 to 63 form part of these statements

**Public Services Ombudsman for Wales
Financial Statements 2011-12**

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2012

	2011 -12	2010 -11
	£000	£000
Balance at 1 April 2011	(316)	(1132)
Changes in Taxpayers' equity		
Net operating costs	(3737)	(3871)
Funding by National Assembly for Wales	3731	4100
Due back to Welsh Consolidation Fund		
- Cash	(91)	-
- Non operating income	-	-
Welsh Consolidation Fund shared services	188	187
Actuarial (deficit) surplus	(490)	400
Total recognised income and expense for year	(399)	816
Balance at 31 March 2012	(715)	(316)

The Notes on pages 38 to 63 form part of these statements

**Public Services Ombudsman for Wales
Financial Statements 2011-12**

Notes to the Financial Statements

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (the FReM) issued by HM Treasury which is in force for 2011-12. The accounting policies contained in the FReM, apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Public Services Ombudsman for Wales for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Public Services Ombudsman for Wales (PSOW) are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for any revaluation of fixed assets, where material to their value to the business, by reference to their current costs.

1.2 Property, Plant and Equipment

Expenditure on property, plant and equipment is capitalised where the purchases are expected to have a useful life extending over more than one year and the cost exceeds £1k. Assets costing less than £1k may be capitalised providing they are capital in nature and are part of a larger scheme that is in total more than £1k. Assets are shown at cost less an allowance for depreciation. On initial recognition fixed assets are measured at cost, including such costs as installation, which are directly attributable

to bringing them into working condition for their intended use. In reviewing the costs of the fixed assets previously acquired and the prices paid for the new acquisitions during the year there is no material difference between the historic net book value of the assets and their replacement cost less depreciation.

1.3 **Depreciation**

Assets are depreciated at rates calculated to write them down to zero or if applicable, estimated residual value on a straight-line basis over their estimated useful life following an initial charge of a full year's depreciation in the year of purchase. Assets in the course of construction are depreciated from the year in which the asset is brought into use. Except where otherwise noted asset lives are assumed to be the following:

Plant	10 years or the lease term if shorter
Furniture and other fittings	10 years or in the case of fittings the lease term if shorter
Computers and other equipment	3 to 10 years

1.4 **Intangible assets**

Purchased computer software licences and developed software are capitalised where expenditure of £1k or more is incurred and the useful life is more than one year. Intangible assets costing less than £1k may be capitalised providing they are capital in nature and are part of a larger scheme that is in total more than £1k. Intangible assets are reviewed annually for impairment and are stated at amortised historic cost. Software licences are amortised over the shorter of the term of the licence and the useful economic life of the computer equipment on which they are installed. This would usually be from 3 to 5 years. Developed software is amortised over the estimated useful life. In the year of acquisition a full

year's amortisation charge is made with the balance amortised on a straight line basis over the balance of the estimated life.

1.5 Value Added Tax

PSOW is not registered for VAT. Expenditure is therefore disclosed gross of VAT.

1.6 Pensions

The pension obligations to present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is largely non-contributory and is unfunded, the Local Government Pension Scheme administered through the Cardiff and Vale of Glamorgan Pension Scheme (the Fund) and by direct payment to two previous Commissioners for Local Administration in Wales and one surviving beneficiary. Full details are disclosed in the Notes to the Financial Statements. The costs of providing these pensions are charged through the Statement of Comprehensive Net Expenditure.

1.7 Early departure costs

Where the PSOW is required to meet the additional cost of benefits beyond the normal benefits payable by the appropriate pension scheme in respect of employees who retire early, these costs are charged to the Statement of Comprehensive Net Expenditure in full when the liability arises.

1.8 Operating Leases

Expenditure on leased property is expensed in the period to which it relates. Operating lease charges for equipment are spread equally over the life of the lease.

1.9 **Staff Costs**

In line with IAS 19, short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, as well as non-monetary benefits for current employees, are recognised when an employee has rendered services in exchange for those benefits.

1.10 **Operating Income**

Bank interest is accounted for in the year of receipt. Other income is credited to the year of account in which the work is done.

1.11 **Non-operating Income**

Non operating income which has to be surrendered to the Welsh Consolidated Fund arises from the sale of fixed assets.

1.12 **Government Grants**

Government grants are accounted for in the year of receipt.

1.13 **Foreign Exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.

1.14 **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The PSOW does not hold any complex financial instruments under the description provided by IAS 32. The key financial instruments held are payables and receivables. These are considered to be loans and receivables in line with IAS 39. They are therefore disclosed in the accounts at amortised cost.

1.15 **Provisions**

These are sums which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligations. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the recommended HM Treasury discount rate.

1.16 **Segmental Reporting**

It is not considered that there are any separately reportable operating segments in line with IFRS 8; PSOW has however elected to additionally disclose the expenditure associated with the four key objectives of the office. The methods of cost allocation used are designed to give the most accurate reflection of the costs of running the office of the PSOW. The basis of apportionment is an estimate of the time spent on the objectives of the office by staff except for expenditure that can be directly charged. This information is not reported internally.

2. Reconciliation of Resources to Net Cash Requirements

	Note	2011-12 Revised estimate	2011-12 Net total Outturn	Net total outturn compared to revised estimate saving/(excess)	2010-11 Outturn Revised
		£000	£000	£000	£000
Net Resource Outturn Statement of Comprehensive Net Expenditure			3737		3871
Less Welsh Consolidated Fund shared services	4		(188)		(187)
Net Resource Requirement		5404	3549	1855	3684
Net Capital Requirement	7/8	15	13	2	461
Movement in provisions	12	(1565)	(8)	(1557)	36
Capital charges	4	(148)	(122)	(26)	(110)
Movements in debtors/creditors	13	25	(2)	27	34
Pension funding	3	-	210	(210)	-
Net cash requirement Summary of Resource Outturn		3731	3640	91	4105

3. Staff Costs and Numbers

The aggregate employment costs were as follows:

	2011-12	2010-11
	£000	£000
Permanent staff:		
Salaries	1850	1854
Social Security Costs	136	134
Other pension costs	368	366
Total	2354	2354
Temporary staff	11	27
Social Security costs	1	1
Pension costs	1	3
Total	13	31
Total employment costs	2367	2385

The costs of temporary staff include agency staff together with any persons employed on a non permanent contract. The salary costs set out above below do not show the employment and related costs of the ombudsman. The reason for the difference is stated in the Remuneration Report (see page12).

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	2011-12	2010-11
	No.	No.
Senior management	2	3
Complaint investigation	42	42
Executive / Corporate services staff	9	8
Total	53	53

The above includes the Public Services Ombudsman for Wales. The reduction in the number of senior management of the organisation arises from the resignation of a part time director on 31 March 2012. The apparent increase in the executive /corporate services is due to rounding as there has been no change in staffing.

For comparison purposes the total costs of employment including the Ombudsman is:

	2011-12	2010-11
	£000	£000
Ombudsman	188	187
Office	2367	2385
Total	2555	2572

Pensions

Two pension schemes are operated on behalf of current staff. On the valuation of one of those schemes, the Local Government Pension Scheme, the actuary has calculated that the deficit as at 31 March 2012 is £690k. This reflects the pressures with the economy by lower returns on assets and lower interest rate returns.

There remains an ongoing liability to meet the pensions of three former Ombudsman or any dependent relatives.

(a) Principal Civil Service Pension Scheme

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, members of the pension scheme may be in one of four defined benefit schemes; either a final salary scheme (**classic, premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but PSOW is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. As from 1 April 2012 a new Scheme Actuary has been appointed. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £321k were payable to the PCSPS (2010-11 £333k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £6K (2010-11 £6k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £449 (2010-11 £457), 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No contributions were due or prepaid to the partnership pension providers at the balance sheet date.

(b) Local Government Pension Scheme

The disclosures below relate to the funded liabilities of the Cardiff and Vale of Glamorgan Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires Public Services Ombudsman for Wales and its employees who are members of the scheme pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investments assets.

Public Services Ombudsman for Wales recognises gains and losses in full, immediately through the Statement of Comprehensive Net Expenditure.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Disclosure under IAS19 (LGPS funded benefits)

The latest actuarial valuation of Public Services Ombudsman for Wales's liabilities took place as at 31 March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the independent qualified actuaries, Aon Hewitt, in updating the latest valuation for Fund for IAS19 purposes were:

Principal financial assumptions (% per annum)

	31 March 2012	31 March 2011	31 March 2010
Discount rate	4.7	5.5	5.5
RPI Inflation	3.4	3.6	3.9
CPI Inflation	2.4	2.7	n/a
Rate of increase to pension in payment*	2.4	2.7	3.9
Rate of increase to deferred pensions*	2.4	2.7	3.9
Rate of general increase in salaries**	4.4	4.6	5.4

* In excess of Guaranteed Minimum Pension increases in payment where appropriate

** In addition, the actuary has allowed for the same age related promotional salary scales as used at the actuarial valuation of the Funds as at 31 March 2010.

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements

Post retirement mortality (retirement in normal health)	31 March 2012	31 March 2011
<u>Males</u> Year of Birth base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health All Amounts
Rating to above base table * (years)	0	0
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% pa	CMI_2009 with a long term rate of improvement of 1.25% pa
Future lifetime from age 65 (aged 65 at accounting date)	23.9	23.8
Future lifetime from age 65 (aged 45 at accounting date)	25.6	25.6
<u>Females</u> Year of Birth base table	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Rating to above base table * (years)	0	0
Scaling to above base table rates	80%	80%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% pa	CMI_2009 with a long term rate of improvement of 1.25% pa
Future lifetime from age 65 (aged 65 at accounting date)	26.7	26.6
Future lifetime from age 65 (aged 45 at accounting date)	28.7	28.6

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an x years older than them. The ratings shown apply to normal health retirements.

	31 March 2012	31 March 2011
Commutation	Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum.	Each member assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum.
	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.

Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the employer for the purposes of IAS 19.

	Long-term expected rate of return at 31 March 2012*	Estimated Asset split at 31 March 2012	Long-term expected rate of return at 31 March 2011*	Asset split at 31 March 2011	Long-term expected rate of return at 31 March 2010*	Asset split at 31 March 2010
	% pa	%	% pa	%	% pa	%
Equities	8.1	72.1	8.4	74.7	8.0	73.5
Property	7.6	6.3	7.9	4.2	8.5	4.1
Government bonds	3.1	7.7	4.4	4.9	4.5	4.9
Corporate bonds	3.7	8.8	5.1	11.2	5.5	12.5
Cash	1.8	1.3	1.5	1.1	0.7	0.9
Other**	8.1	3.8	8.4	3.9	8.0	4.1
Total	7.2	100.0	7.7	100.0	7.5	100.0

* The overall expected rate of return on Fund asset is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

** Other holdings include hedge funds, currency holdings, asset allocation futures and other. AON Hewitt has assumed these will get a return in line with equities.

Narrative description of the basis used to determine expected return

AON Hewitt on behalf of the Public Services Ombudsman for Wales employs a building approach in determining the rate of return on Funds assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principals. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2012.

Reconciliation of funded status to Statement of Financial Position

	Value as at 31 March 2012	Value as at 31 March 2011	Value as at 31 March 2010
	£M	£M	£M
Fair value of assets	4.09	3.97	4.06
Present value of funded defined benefit obligation	4.78	4.31	4.91
Pension asset/(liability) before consideration of paragraph 58	(0.69)	(0.34)	(0.85)
Adjustment in respect of paragraph 58	0.00	(0.07)	0.00
Pension asset/(Liability) recognised on the balance sheet	(0.69)	(0.41)	(0.85)

Charges to the Surplus or Deficit on the Provision of Services

	Year ended 31 March 2012	Year ended 31 March 2011
	£M	£M
Current service cost	0.03	0.04
Past service cost	0.00	(0.54)
Interest cost	0.23	0.24
Expected return on assets	(0.30)	(0.29)
Curtailment cost	0.00	0.00
Settlement cost	0.00	0.00
Expense recognised	(0.04)	(0.55)

Changes to the present value of defined benefit obligation during the accounting period

	Year ended 31 March 2012	Year ended 31 March 2011
	£M	£M
Opening defined benefit obligation	4.31	4.91
Current service cost	0.03	0.04
Interest cost	0.23	0.24
Contributions by participants	0.01	0.01
Actuarial (gains)/losses on liabilities *	0.35	(0.08)
Net benefits paid out #	(0.15)	(0.27)
Past service cost	0.00	(0.54)
Business combinations	0.00	0.00
Curtailments	0.00	0.00
Settlements	0.00	0.00
Closing defined benefit obligation	4.78	4.31

* Includes changes to the actuarial assumptions.

Consists of net cash-flow out the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Changes to the fair value of assets during the accounting period

	Year ended 31 March 2012	Year ended 31 March 2011
	£M	£M
Opening fair value of assets	3.97	4.06
Expected return on assets	0.30	0.29
Actuarial gains/(losses) on assets	(0.21)	(0.15)
Contributions by the employer	0.17	0.03
Contributions by the participants	0.01	0.01
Net benefits paid out #	(0.15)	(0.27)
Business combinations	0.00	0.00
Settlements	0.00	0.00
Closing fair value of assets	4.09	3.97

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Actual return on assets

	Year ended 31 March 2012	Year ended 31 March 2011
	£M	£M
Expected return on assets	0.30	0.29
Actuarial gain/(loss) on assets	(0.21)	(0.15)
Actual return on assets	0.09	0.14

Analysis of amounts recognised in Other Comprehensive Income and Expenditure

	Year ended 31 March 2012	Year ended 31 March 2011
	£M	£M
Total actuarial gains/(losses)	(0.56)	(0.07)
Adjustment in respect of paragraph 58	0.00	(0.07)
Total gains/(losses)	(0.56)	(0.14)

History of asset values, present value of defined benefit obligation and surplus/ deficit

	As at 31 March				
	2012	2011	2010	2009	2008
	£M	£M	£M	£M	£M
Fair value of assets	4.09	3.97	4.06	3.10	4.41
Present value of defined benefit obligation	4.78	4.31	4.91	3.67	4.12
Surplus/(Deficit)	(0.69)	(0.34)	(0.85)	(0.57)	0.29

History of experience gains and losses

	As at 31 March				
	2012	2011	2010	2009	2008
	£M	£M	£M	£M	£M
Experience gains/(losses) on assets					
▪ Amount £M	(0.21)	(0.15)	0.86	(1.00)	(0.44)
▪ Percentage of assets	-5.1%	-3.8%	21.2%	-32.3%	-10.0%
Experience gains/(losses) on liabilities #					
▪ Amount £M	(0.05)	0.09	0.06	(0.02)	(0.02)
▪ Percentage of the present value of the liabilities	-1.0%	2.1%	1.2%	-0.5%	-0.5%

#This item consist of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Contributions for the year ending 31 March 2013

The employer's regular contributions to the fund for the year ending 31 March 2013 are estimated to be £0.27M. In addition, strain on Fund Contributions may be required.

Termination of the scheme

The pension information provided above complies with the requirements of IAS 19. This shows a pension fund deficit of £690k at the 31 March 2012. Procedures are in place with the Pension Fund about making phased payments in order to cover the financial liability that will arise when there are no longer any active members; currently estimated to be 2017-18. The basis of calculation of that liability is different to that which applies under IAS 19 as it is necessary to ensure that from the date of the closure all obligations have been covered as there after any future financial liability falls on the Pension Fund. The estimate of that closure liability will be reviewed at each triennial review of the scheme unless the closure of the scheme occurs. The estimate of the closure liability at the last valuation was £1.6 million. Financial provision to cover the liability is allowed for within the procedures set out in the Consolidated Budgeting Guidance issued by H.M. Treasury.

Pension Increases Local Government Pension Scheme

In the UK Budget statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension. As a judicial review has confirmed that CPI can be used for pension increases the figures reflecting this change set out in the figures for 2010/11 stand.

(c) Pensions for former Ombudsmen

With the agreement of the Secretary of State for Wales in 1991 and subsequent confirmation by Statutory Instrument 1993 No. 1367 the Local Government Commissioners became eligible to join the Local Government Pension Scheme. However the pensions of the three previous Local Government Commissioners remain the responsibility of the Public Services Ombudsman for Wales and are met through the Statement of Comprehensive Net Expenditure.

Pensions are increased annually in line with other pension schemes within the Public Sector the basis of calculations of the Annual Pensions Increase has been changed from using the annual movement based on the Retail Price Index (RPI) to the Consumer Price Index (CPI). The amount of the uplift applied is set out in Statutory Instrument 2012 No 782. This year the increase was 5.2% with effect from 9 April 2012. In 2010-11 the uplift was 3.1%

The total payments during 2011-12 were £77k (£75k in 2010-11). The liabilities arising out of the obligation to finance these pensions together with any dependent pensions has been calculated to be £487k (2010-11 £506k). The calculation to determine the overall liability has been carried out internally using life expectancy tables for males and females in Wales obtained from the web site

of the Government Actuary's Department. A discount rate of 2.8%(2.9% 2010-11) has been applied in accordance with the Treasury guidance that all pension liabilities should be discounted. Further details are shown under movements in provisions (Note 12).

4. Non Staff Administration Costs

	2011-12		2010-11	
	£000		£000	
Rentals under operating leases	234		218	
External Audit fee	19		25	
Other services provided by WAO and Grant Thornton	-		1	
Professional Advisers	281		312	
Other property costs	110		107	
Computer services	132		200	
Office costs	118		147	
Travel and subsistence	26		28	
Training and Recruitment	40		67	
Communications	98		80	
Consolidated fund standing services (Salary and related costs of the Ombudsman met from the Welsh Consolidated Fund)	188		187	
Sub-total		1246		1372
Depreciation	77		89	
Amortisation charge	45		50	
Loss on disposal	-		11	
Provision for future redecoration of offices	2		1	
Sub-total		124		151
Total Other Administration Costs		1370		1523

5. Operating Income

Income receivable arises from short term investment of surplus funds and from the temporary secondment of an investigator.

	2011-12		2010-11	
	£000		£000	
Seconded staff	-		37	
Interest receivable	-		-	
Total operating income		-		37

6. Operating Costs by Aims and Objectives

for the year ended 31 March 2012

The costs of providing a first class Ombudsman service to Wales are set out below. The allocation to each of the objectives has been as follows:

- (a) An estimate of the staff time spent on the objective
- (b) Direct allocation of expenditure
- (c) Apportionment of other costs pro rata to the estimate of staff time

	2011-12			2010-11		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
To raise awareness of our service so that people understand what we do, and that all who need it can access it and make use of it	260		260	271		271
To have in place high quality complaints handling processes, which consider and determine complaints thoroughly but proportionately, and convey decisions clearly	2768		2768	2878	(37)	2841
To work with public bodies in Wales so that better quality public services are provided as a result of the lessons that can be learnt from the complaints we investigate	550		550	576		576
To demonstrate that our resources are efficiently and effectively deployed	159		159	183		183
Net operating costs	3737	-	3737	3908	(37)	3871

7. Property, Plant and Equipment

	Plant	Computers and other equipment	Furniture & other fittings	Total
	£000	£000	£000	£000
Cost or valuation at 1 April 2011	156	170	294	620
Additions	-	3	2	5
At 31 March 2012	156	173	296	625
Depreciation				
At 1 April 2011	(78)	(116)	(160)	(354)
Charged in the year	(24)	(15)	(38)	(77)
At 31 March 2012	(102)	(131)	(198)	(431)
NBV at 31 March 2012	54	42	98	194
NBV at 31 March 2011	78	54	134	266

In the opinion of the Public Services Ombudsman for Wales there is no material difference between the net book value of assets at current values and at their historic cost.

8. Intangible Assets

	Information Technology	Software Licences	Total
	£000	£000	£000
Cost or Valuation at 1 April 2011	472	61	533
Additions	-	8	8
At 31 March 2012	472	69	541
Amortisation at 1 April 2011	(212)	(59)	(271)
Amortisation during the period	(40)	(5)	(45)
At 31 March 2012	(252)	(64)	(316)
Net book value at 31 March 2012	220	5	225
Net book value at 31 March 2011	260	2	262

In the opinion of the Public Services Ombudsman for Wales there is no material difference between the net book value of assets at current values and at their historic cost.

9. Trade and other Receivables

	2011-12	2010-11
	£000	£000
Amounts falling due within one year:		
Prepayments	197	147
Amounts falling due after more than one year		
Prepayments	6	52
Total	203	199

10. Cash and Cash Equivalents

Any cash balance held at the year end has to be returned to the Welsh Consolidated Fund. A creditor for £91k (2010-11 less than £1k) has been included within the accounts being the net balance at the year end on all the bank accounts operated by the Public Services Ombudsman for Wales irrespective of whether the individual account is in debit or credit and the amount of grant received offset by this repayment. This repayment would have to be made to the Welsh Consolidated Fund under the Government of Wales Act 2006 if still remaining at the year end.

11. Trade Payables and other Current Liabilities

	2011-12	2010-11
	£000	£000
Amounts falling due in one year		
Amounts owed to the Collector of Taxes	-	-
Untaken annual leave	63	57
Amounts owed to the Parliamentary Commissioner	3	3
Welsh Consolidated Fund – unspent balances	91	0
non operating income	0	0
Trade payables	24	13
Accruals	17	28
	198	101
Amounts falling due in more than one year		
Deferred rent reduction	25	25
Total	223	126

12. Provisions for Liabilities and Charges

	2011-12			2010-11
	Pensions for Former Commissioners	Future Redecoration Costs	Total	Total
	£000	£000	£000	£000
Balance at 1 April	506	1	507	543
Additional provision required	81	2	83	26
Discount rate movement	2	-	2	13
Provisions utilised in the year	(77)	-	(77)	(75)
Balance	512	3	515	507

Analysis of expected timings of payment of provisions:

	£000	£000
Payable within one year	78	73
Payable within 2 to 5 years	311	276
Payable in more than 5 years	126	158
Balance at 31 March 2012	515	507

The additional provision is required to cover the pensions increase in line with Statutory Instrument 2012 No782 and increased life expectancy based on the Interim life letters Wales issued by Office of National Statistics. Later year pension increases are in line with the GDP deflators information issued by HM Treasury. The discount factor has been amended to 2.8% for the financial year (2.9% 2010-11) in line with the guidance issued by the Treasury.

The future redecoration costs arise from an obligation to redecorate the interior of the premises leased at Bocam Park. Sums are being set aside to cover the liability to redecorate the office in the financial year 2014-15. The sum of £1500 has been provided for in the 2011-12 financial year (2010-11 £1500) towards the cost of this work.

13. Reconciliation of Operating Cost to Operating Cash Flows

	Notes	2011-12	2010-11
		£000	£000
Net operating cost		(3737)	(3871)
Adjust for non cash items	3,4	82	110
Decrease /(Increase) in trade and other receivables	9	(4)	(28)
Increase/ (Decrease) in trade and other payables	11	97	(6)
Payment to meet pension fund deficit		(170)	-
Use of provisions	12	8	(36)
Welsh Consolidated Fund shared services	4	188	187
Net cash outflow from operating activities		(3536)	(3644)

14. Non Current Asset Expenditure and Financial Investment

	2011-12	2010-11
	£000	£000
Purchases of property, plant and equipment	(5)	(163)
Proceeds of disposals of property, plant and equipment	-	-
Purchases of intangible assets	(8)	(298)
Net cash outflow from investing activities	(13)	(461)

15. Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

	2011-12	2010-11
	£000	£000
Net Cash Requirement:		
Operating activities	(3536)	(3644)
Capital Expenditure	(13)	(461)
	(3549)	(4105)
Financing from National Assembly for Wales	3731	4100
Repayment to Welsh Consolidated Fund	(91)	(-)
Increase in cash and cash equivalents	91	(5)

16. Commitments under Operating Leases

	2011-12	2010-11
	£000	£000
Total future minimum operating lease payments on Building:		
Payable within one year	183	183
Within two and five years	339	522
More than five years	-	-
	522	705
Other:		
Payable within one year	6	7
Within two and five years	-	3
More than five years	-	-
	6	10

17. Contingent Liabilities

There were no contingent liabilities at 31 March 2012 (2010-11 Nil).

18. Capital Commitments

There were no capital commitments at 31st March 2012 (2010-11 Nil)

19. Financial Instruments

Because of the largely non-trading nature of its activities and the way in which government bodies are financed, the PSOW is not exposed to the degree of financial risk faced by some business entities. The office has no powers to borrow money but it can invest temporary surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks faced by the office in undertaking its activities.

20. Related Party Transactions

The PSOW is headed by the Public Services Ombudsman for Wales and was established under the Public Services Ombudsman (Wales) Act 2005. The Ombudsman is independent of Government and the funding arrangements of the office are set up to ensure that the independence of the office is secured. The PSOW has had a number of material transactions with the National Assembly for Wales and with the office of the Parliamentary Ombudsman. In addition, the PSOW has had a small number of transactions with other Government Departments and other central government bodies.

With effect from April 2010, Peter Tyndall, Public Services Ombudsman for Wales was appointed chair of the British and Irish Ombudsman Association and served in this capacity until May 2012. PSOW is a member of BIOA.

21. Events after the Reporting Period

On 3 May 2012 an approved judgement in a judicial review case relating to a Code of Conduct matter in which I was an interested party was issued. The claimant had challenged a decision of the Adjudication Panel for Wales and Counsel made submissions on my behalf in favour of upholding the decision. The judge held that the claimant's application should be granted and the Adjudication Panel for Wales's decision set aside. I was ordered to pay the claimant's costs. As yet it has not been possible to determine the amount involved. If the costs cannot be agreed, resulting in detailed assessment proceedings, the matter could carry over to the 2013-14 financial year.

Public Services Ombudsman for Wales

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